

Part VI FOREIGN PARENT’S SHARE OF THE CHANGE DURING THE QUARTER IN U.S. AFFILIATE’S LOAN LOSS RESERVE, EXCLUDING LOANS TRANSFERRED TO THE FOREIGN PARENT				Amount		
Report amounts based on the foreign parent’s percentage of equity ownership interest in the U.S. affiliate.				Bil.	Mil.	Thou.
30. Loan loss reserve – Balance at close of prior quarter				134	1 \$	
31. Provision for loan losses – Amount charged to the loan loss reserve account during current quarter				135	1	
32. Loan losses – Amount of actual loan losses incurred during current quarter, including direct write-offs				136	1	
33. Recovered losses – Amount of actual loan losses recovered during current quarter				137	1	
34. Loan loss reserve – Balance at close of current quarter – Sum of items 30, 31, and 33 minus 32				138	1	
Part VII ANNUAL INCOME AND EQUITY POSITION – See Specific Instructions.				Month	Day	Year
Complete this part once each year after audit. (Complete no later than the second report following the close of the calendar or fiscal year.)				1		
35. U.S. affiliate’s calendar (or fiscal) year ending date				034		
36. Foreign parent’s percentage of equity ownership interest in the U.S. affiliate at end of year – Enter to tenth of one percent.				035	1	%
Income statement items				Bil.	Mil.	Thou.
37. Foreign parent’s direct equity in U.S. affiliate’s annual net income (loss) after provision for U.S. Federal, State, and local income taxes				036	1 \$	
38. Foreign parent’s share of certain realized and unrealized gains (losses), net of tax effect:				037	1	
a. Included in net income (item 37)				037	1	
b. Not included in net income (item 37) but taken directly to retained earnings or other equity account, excluding translation adjustment				038	1	
39. Foreign parent’s share of translation adjustment for the year (an equity adjustment)				338	1	
Owners’ equity items – foreign parent’s share				1		
40. Common and preferred stock and additional paid-in capital – (Incorporated affiliate only)				039	1	
41. Retained earnings (deficit)				040	1	
42. Other equity accounts, including translation adjustment – Specify				041	1	
43. TOTAL – Sum of items 40, 41, and 42				042	1 \$	
For branches and agencies, enter total equity from home office				042	\$	
				BEA USE ONLY	043	
CERTIFICATION OF EXEMPTION – Mark (X) below to indicate reason affiliate is exempt and complete the "Person to Consult" and "Certification" sections below on this form. See "Reporting Requirements" for determining exempt status.						
EXEMPT STATUS – Mark (X) one:						
1 This U.S. affiliate is exempt because each of the three items listed below is equal to or less than \$30 million (positive or negative). Enter the amount for each of the three items – Data should be for the fully consolidated U.S. business enterprise and for, or as of the end of, the most recent financial year (use projections if annual data are unavailable).						
Total assets – Do not net out liabilities.				Bil. Mil. Thous.		
Gross operating revenue, excluding sales taxes – Do not give gross margin.				\$		
Net income (loss) after provision for U.S. income taxes				\$		
The above data are for the 12-month period ended				Month	Day	Year
2 This U.S. affiliate is consolidated, merged, or reorganized into another U.S. affiliate. Complete the following:						
Name of other U.S. affiliate				Month	Day	Year
Date of change in status						
3 This U.S. affiliate is only indirectly foreign owned through another U.S. affiliate, and has no direct transactions or accounts (debt investment balances) with the foreign parent(s) or any of its(their) foreign affiliates. NOTE – If the other U.S. affiliate has a majority interest (greater than 50%) in this U.S. affiliate, this item does not apply. See item 2. Also, this item does not apply to the separate banking and nonbanking activities of a bank holding company because both activities are treated as directly foreign owned.						
4 In a prior quarter, the foreign parent’s voting interest in this U.S. business enterprise was either (a) sold to a U.S. person that is not a U.S. affiliate, (b) liquidated, or (c) diluted, so that the foreign parent’s voting interest is below 10%. Complete the following:						
Date sold, liquidated, or diluted				Month	Day	Year
Approximate sale or liquidation value – If this amount was not reported in Part V of a prior quarter’s Form BE-605 Bank, fill in Part V on page 1 of this form.				Bil.	Mil.	Thous.
				\$		
If sold, name of other U.S. person(s) to whom sold						
If diluted, use "Other" space below to explain						
5 Other – Specify and include reference to section of regulations or instructions on which claim is based.						
PERSON TO CONSULT CONCERNING QUESTIONS ABOUT THIS REPORT – Enter name and address				CERTIFICATION – The undersigned official certifies that this report has been prepared in accordance with the applicable instructions, is complete, and is substantially accurate except that, in accordance with the Instructions, estimates have been provided where data are not available from customary accounting records or precise data could not be obtained without undue burden.		
Name				Authorized official’s signature		
Address						
TELEPHONE NUMBER				Print or type name and title		
Area code				Date		
Number						
FAX NUMBER						

TRANSACTIONS OF U.S. BANKING AFFILIATE WITH FOREIGN PARENT

REPORTING REQUIREMENTS

Purpose – Reports on this form are required in order to provide reliable and up-to-date information on foreign direct investment in the United States for inclusion in the U.S. balance of payments and the national income and product accounts.

Authority – This survey is being conducted pursuant to the International Investment and Trade in Services Survey Act (P.L. 94-472, 90 Stat. 2059, 22 U.S.C. 3101-3108, as amended – hereinafter "the Act"), and the filing of reports is MANDATORY pursuant to Section 5(b)(2) of the Act (22 U.S.C. 3104). In Section 3 of Executive Order 11961, the President designated the Department of Commerce as the Federal executive agency responsible for collecting the required data on direct investment, and the Secretary of Commerce has assigned this responsibility to the Bureau of Economic Analysis. The implementing regulations are contained in Title 15, CFR, Part 806.

This report has been approved by the Office of Management and Budget under the Paperwork Reduction Act (44 U.S.C. 3501 et seq.).

Penalties – Whoever fails to report may be subject to a civil penalty not less than \$2,500, and not more than \$25,000, and to injunctive relief commanding such person to comply, or both. Whoever willfully fails to report shall be fined not more than \$10,000 and, if an individual, may be imprisoned for not more than one year, or both. Any officer, director, employee, or agent of any corporation who knowingly participates in such violation, upon conviction, may be punished by a like fine, imprisonment, or both. (22 U.S.C. 3105).

Notwithstanding any other provision of the law, no person is required to respond to, nor shall any person be subject to a penalty for failure to comply with, a collection of information subject to the requirements of the Paperwork Reduction Act, unless that collection of information displays a currently valid OMB Control Number.

Confidentiality – The Act provides that your report to this Bureau is CONFIDENTIAL and may be used only for analytical or statistical purposes. Without your prior written permission, the information filed in your report CANNOT be presented in a manner that allows it to be individually identified. Your report CANNOT be used for purposes of taxation, investigation, or regulation. Copies retained in your files are immune from legal process.

DEFINITIONS

United States, when used in a geographic sense, means the several States, the District of Columbia, the Commonwealth of Puerto Rico, and all territories and possessions of the United States.

Foreign, when used in a geographic sense, means that which is situated outside the United States or which belongs to or is characteristic of a country other than the United States.

Person means any individual, branch, partnership, associated group, association, estate, trust, corporation, or other organization (whether or not organized under the laws of any State), and any government (including a foreign government, the United States Government, a State or local government, and any agency, corporation, financial institution, or other entity or instrumentality thereof, including a government-sponsored agency).

Foreign person means any person resident outside the United States or subject to the jurisdiction of a country other than the United States.

Direct investment means the ownership or control, directly or indirectly, by one person of 10 per centum or more of the voting securities of an incorporated business enterprise or an equivalent interest in an unincorporated business enterprise.

Foreign direct investment in the United States means the ownership or control, directly or indirectly, by one foreign person of 10 per centum or more of the voting securities of an incorporated U.S. business enterprise or an equivalent interest in an unincorporated U.S. business enterprise, including a branch.

Branch means the operations or activities conducted by a person in a different location in its own name rather than through an incorporated entity.

Affiliate means a business enterprise located in one country which is directly or indirectly owned or controlled by a person of another country to the extent of 10 per centum or more of its voting stock for an incorporated business or an equivalent interest for an unincorporated business, including a branch.

U.S. affiliate means an affiliate located in the United States in which a foreign person has a direct investment.

Foreign parent means the first foreign person in the ownership chain of the U.S. affiliate.

Affiliated foreign group means (i) the foreign parent, (ii) any foreign person, proceeding up the foreign parent's ownership chain, which owns more than 50 per centum of the person below it up to and including that person which is not owned more than 50 per centum by another foreign person, and (iii) any foreign person, proceeding down the ownership chain(s) of each of these members, which is owned more than 50 per centum by the person above it.

Foreign affiliate of foreign parent means, with reference to a given U.S. affiliate, any member of the affiliated foreign group owning the affiliate that is not a foreign parent of the affiliate.

U.S. corporation means a business enterprise incorporated in the United States.

Business enterprise means any organization, association, branch, or venture which exists for profitmaking purposes or to otherwise secure economic advantage, and any ownership of any real estate.

Banking covers business enterprises engaged in deposit banking or closely related functions, including commercial banks, Edge Act corporations engaged in international or foreign banking, foreign branches and agencies of U.S. banks whether or not they accept deposits abroad, U.S. branches and agencies of foreign banks whether or not they accept domestic deposits, savings and loans, savings banks, and bank holding companies, i.e., holding companies for which over 50 percent of their total income is from banks which they hold. (U.S. branches of foreign banks are U.S. persons; conversely, foreign branches of U.S. banks are foreign persons.)

Who must report – Except as exempted below, a Form BE-605 Bank is required from every U.S. business enterprise in banking in which a foreign person had a direct and/or indirect ownership interest of 10 percent or more of the voting stock if an incorporated business enterprise or an equivalent interest if an unincorporated business enterprise at any time during the reporting period. Note, however, that a U.S. affiliate that is **indirectly** foreign owned and has no direct transactions or positions with a foreign parent (or foreign affiliate of the foreign parent) at any time during the year is exempt from filing a Form BE-605 Bank provided the Certificate of Exemption on page 2 of Form BE-605 Bank is (or has been) filed.

Reports are required even though the foreign person's equity interest in the U.S. business enterprise may have been established, acquired, liquidated, sold, or inactivated during the reporting period.

For reporting foreign direct investment in a U.S. nonbanking business enterprise, use related Form BE-605, Transactions of U.S. Affiliate, Except A U.S. Banking Affiliate, with Foreign Parent.

Consolidated reporting by U.S. affiliate – A U.S. affiliate shall file on a fully consolidated basis, including in the consolidation all other U.S. banking affiliates in which it directly or indirectly owns more than 50 percent of the outstanding voting interest. (Foreign subsidiaries of the U.S. affiliate are not to be included in the consolidation, except as provided below under the equity method of accounting.) **Note:** Banks and bank holding companies (BHC's) that directly or indirectly own more than a 50 percent interest in one or more U.S. affiliates in nonbanking industries are not permitted to file a single consolidated report on Form BE-605 Bank. Rather, all their U.S. affiliates in banking, including International Banking Facilities (IBF's), must be fully consolidated on Form BE-605 Bank, and all their U.S. affiliates in nonbanking must be consolidated on Form BE-605. (Note: A U.S. affiliate that provides support to a bank, such as a real estate subsidiary set up to hold the office buildings occupied by a U.S. banking affiliate, is considered to be in banking and should be consolidated on Form BE-605 Bank.)

If a directly foreign-owned U.S. banking affiliate or BHC files separate reports for its banking and nonbanking activities, both reports should be classified as directly foreign owned. In the "name of U.S. affiliate" line at the beginning of each form, write "banking" on Form BE-605 Bank and "nonbanking" on Form BE-605.

All U.S. banking branches and agencies (including IBF's) directly owned by a given foreign parent may be aggregated on a single Form BE-605 Bank. Operations of branches that are separately chartered offshore, in the Cayman Islands or the Bahamas, for example, are not to be reported in the BE-605 Bank survey, because they are considered to be foreign branches of the foreign parent.

A listing of the names and addresses of the U.S. affiliates included in the consolidation must be provided with the first filing and then updated as necessary. The list should indicate each U.S. affiliate's direct owner and the percentage of direct ownership interest held. For an incorporated U.S. banking affiliate, its U.S. branches should not be listed.

NOTE: If a U.S. affiliate in a consolidated group is both directly and indirectly owned by the same foreign parent, the foreign parent's indirect equity interest and any direct transactions or positions between the affiliate and its foreign parent should be included in the report for the consolidated group. A separate BE-605 Bank must be filed to report the foreign parent's **direct equity** interest. However, Parts III, IV, and VI should **not** be completed because those data should be included in the report for the consolidated group.

Equity method of accounting – Investments by the U.S. affiliate in business enterprises not included in the consolidation and which are 20 percent or more owned should be accounted for following the equity method of accounting when computing net income.

Multiple foreign parents – Where two or more foreign persons hold reportable equity interests in a U.S. affiliate, a separate report must be filed to report transactions or accounts with each foreign parent.

Exemption – A U.S. affiliate is not required to file a report if each of the following three items for the U.S. affiliate (not the foreign parent's share) is equal to or less than \$30 million, either positive or negative:

- (1) Total assets,
- (2) Annual gross operating revenues; and
- (3) Annual net income (loss) after provision for U.S. income taxes.

Quarterly reports for a year may be required retroactively when it is determined that the exemption level has been exceeded. If a U.S. affiliate's total assets, sales, or net income exceed the exemption level in a given year, it is deemed that the exemption level will also be exceeded in the following year.

NOTE: If any one of the three items above exceeds the exemption level, either positive or negative, the U.S. affiliate must report. A U.S. affiliate claiming exemption from filing a report must complete the Certificate of Exemption and the "Person to Consult" and "Certification" sections on page 2, of Form BE-605 Bank and return the entire form to BEA at the address noted on page 1.

GENERAL INSTRUCTIONS

What to report and relationship to Treasury International Capital report forms – Direct investment in a U.S. banking affiliate reportable on this form is defined to include only the foreign parent's "permanent" debt and equity investment; similarly, the direct investment flows that enter the U.S. balance of payments accounts for these affiliates include only transactions related to such "permanent" investment. All other transactions and positions – mainly claims and liabilities arising from the parent's and affiliate's normal banking business – are excluded from direct investment because they are included, with other banking claims and liabilities, in the portfolio investment data reported on the Treasury Department's International Capital (TIC) Forms BQ-1, BQ-2, BL-1, BL-2, and BC.

In order to avoid duplicaton in U.S. Government statistics, debt investment (item 21) owners' equity (item 43), and changes in owners' equity (item 28) should not be reported on Treasury's TIC forms. Also, interest and fees related to items reportable on Treasury's TIC forms should not be reported in Part III of Form BE-605 Bank.

Debt transactions and positions of the U.S. banking affiliate with foreign affiliates of the foreign parent should be reported on Treasury's TIC forms, not on Form BE-605 Bank.

GENERAL INSTRUCTIONS – Continued

Filing of report – Reports filed by mail through the U.S. Postal Service should be sent to: U.S. Department of Commerce, Bureau of Economic Analysis, BE-49(Q), Washington, DC 20230. Reports filed by direct private delivery should be directed to: U.S. Department of Commerce, Bureau of Economic Analysis, BE-49(Q), Shipping and Receiving Section M-100, 1441 L Street, NW, Washington, DC 20005.

Form BE-605 Bank is a quarterly report. A single copy of each report should be filed within 30 days after the close of each calendar (or fiscal) quarter, except for the final quarter of the calendar (or fiscal) year, when reports should be filed within 45 days. Requests for extension of the filing date, additional forms, or clarification of the reporting requirements or instructions should be directed to the appropriate address shown above.

Currency amounts should be reported in U.S. dollars and rounded to the nearest thousand. If an amount is between ± \$500, enter "0." Use parentheses to indicate negative numbers.

Accounting methods – Data are to be provided from the U.S. affiliate’s books on a basis consistent with generally accepted accounting principles of the United States, unless otherwise specified.

Estimates may be provided where necessary in order to file a timely report.

Retention of copies – A copy of all reports filed should be retained for 3 years beyond the report’s original due date.

Assistance – If there are any questions concerning the report, telephone (202) 606-5577 during office hours – 8:30 a.m. to 4:30 p.m. eastern time.

SPECIFIC INSTRUCTIONS

A U.S. affiliate that is only indirectly foreign owned (item 7 must be marked), but is required to file a separate report on Form BE-605 Bank because it has direct transactions or positions with the foreign parent, should complete only Parts I, III, and IV as applicable.

PART II

Item 11 – Net income should be reported on a quarterly basis, **not on a cumulative or year-to-date basis**. Net income for the period shown in item 11 should be entered in column 1. Column 2 should be used to correct data that were incorrect or were not given in the preceding report. Do not delay filing because current quarter data are not available. Estimates may be used where necessary.

The amount entered should represent the foreign parent’s equity, based on its directly held equity interest in the U.S. affiliate’s net income (loss) for the quarter, before provision for common and preferred dividends and before any deduction for U.S. withholding taxes on dividends, but after provision for U.S. Federal, State, and local income taxes.

Net income should include, **on an equity basis**, the U.S. affiliate’s share in the net income of all domestic and foreign business enterprises owned by it to the extent of 20 percent or more.

If this report is for the U.S. affiliate’s direct transactions or accounts with a foreign parent that does not hold a direct equity interest, the foreign parent’s share in net income should be zero on this Form BE-605 Bank (but included in the report filed by the U.S. affiliate identified in item 9). If the foreign parent holds both a direct and an indirect equity interest, only the share representing the direct equity interest should be given in this item; the indirect equity interest should be reported by the U.S. affiliate identified in item 9.

Items 12a and b – Certain realized and unrealized gains (losses) include:

- (1) Gains or losses from the sale, disposition, or revaluation of investment securities.
- (2) Gains or losses from the sale, exchange, write-off, or revaluation of land, other property, plant, and equipment, or other assets.
- (3) Gains or losses from remeasurement of the U.S. affiliate’s foreign-currency-denominated assets and liabilities due to changes in foreign exchange rates during the period and transaction gains (losses) taken to income in accordance with FASB 52.
- (4) Gains or losses due to extraordinary items (except legal judgements and accidental damage to fixed assets).
- (5) Material gains or losses resulting from unusual or infrequently occurring items.

The foreign parent’s share of such gains or losses included in your income statement should be reported in item 12a after provision for U.S. Federal, State, and local income taxes. The foreign parent’s share of such gains or losses not included in your income statement but, instead, taken directly to retained earnings or other equity account, such as changes in valuation per FASB 115, should be reported in item 12b after provision for U.S. Federal, State, and local income taxes. Do **not** include foreign currency translation adjustment; report such adjustment in item 13.

Include in item 12a or 12b, as appropriate, the foreign parent’s share of realized gains or losses due to profit or loss on the sale or maturity of investments and of unrealized gains or losses due to changes in the valuation of investments.

Item 13 – Report foreign parent’s share of your foreign currency translation adjustment resulting from the translation of foreign affiliate financial statements from the affiliates’ functional currencies into the U.S. dollar. The adjustment should be determined in accordance with FASB 52 or other current standards of the Financial Accounting Standards Board. Report the translation adjustment here on a quarterly basis, not on a cumulative or year-to-date basis.

Items 14 and 16 – Enter dividends as of the date they were either paid or accrued as debt investment (item 21), whichever occurred first. Any subsequent settlement of dividends declared but not paid should **not** be reported here again but should be reflected only as a reduction in item 21. Stock and liquidating dividends should not be included in item 14.

PART III

Items 17–20 – Enter amounts as of the date they were either received, paid, or accrued as debt investment between the payor and payee, whichever occurred first. Include amounts for which payment was made in kind. For an item accrued as debt investment prior to the reporting period, any subsequent settlement of the account should not be reported here again but should be reflected only as a reduction in debt investment (item 21). Exclude interest and fees relating to the items reportable on the Treasury International Capital reporting forms.

Item 19 – Include rentals for operating leases of one year or less and net rent on operating leases of more than one year. Net rent is equivalent to the total lease payment less the return of capital (depreciation) component.

Item 20 – Include expenses and revenues that appear as part of the income statement of the U.S. affiliate arising from business with your foreign parent. Include allocated expenses (such as R&D assessments), and include reimbursements for management, professional, technical, and other services provided or received. Also include as a charge for services rendered any explicit fees paid to, or received from, a member of the affiliated foreign group for arranging an interest rate or foreign currency swap agreement.

PART IV

Item 21 – Report loans from the foreign parent or home office that do not arise from the parent’s or affiliate’s normal banking business. Incorporated banking affiliates are to report that part of total liabilities that is considered to be "permanent" debt investment by the foreign parent. Branches and agencies should include: deposits by the home office that may be required by regulatory agencies to offset portions of loan portfolios or maintain liquidity, such as special deposits, reserve deposits, or capital maintenance accounts; and non-interest-bearing loans from the home office, whether or not denominated in U.S. dollars (but converted to U.S. dollars for purposes of this report).

If it is necessary to translate the balances to U.S. dollars, use the same exchange rate to translate the opening balance for the current quarter as was used to translate the closing balance for the previous quarter. If the closing balance on the previous quarter’s report was in error, **note the correction**. Entries in item 21 should be consistent with entries in items 17–20 insofar as they reflect the later entries. For example, interest shown in item 17 and accrued but not paid by the U.S. affiliate in the current quarter should be included in item 21. Do not include accounts reportable on Treasury International Capital reporting forms.

PART V

Items 22–29 – Entries in Part V are necessary to identify the cause of any changes in equity holdings by the foreign parent in the U.S. affiliate during the quarter. When changes in the foreign parent’s equity holdings in the U.S. affiliate occur during the quarter, the amount involved in the transaction that changed the capital account should be entered in the appropriate item at transactions value. Exclude changes caused by carrying net income to the equity account, the payment of stock or cash dividends (other than liquidating dividends), or the distribution of earnings during the period. Exclude effect of treasury stock transactions with persons other than the foreign parent and reorganizations in capital structure that do not affect total equity. Branches and agencies, report reimbursed losses in item 22.

Item 22 – Incorporated U.S. affiliate, report the foreign parent’s purchases of capital stock from the U.S. affiliate and other contributions by the foreign parent of equity capital not resulting in the issuance of stock to the foreign parent by the U.S. affiliate. Branches and agencies, report the foreign parent’s share of any increase in the U.S. affiliate’s equity (or home office account), excluding amounts reported in Parts II and IV.

Item 23 – Incorporated U.S. affiliate, report sales of capital stock by the foreign parent to the U.S. affiliate, returns of contributed equity capital to the foreign parent not resulting in a reduction of issued stock, and distributions to the foreign parent (excluding amounts reported in Parts II and IV) following total liquidation of the U.S. affiliate. Branches and agencies, report the foreign parent’s share of any decrease in the U.S. affiliate’s equity (or home office account), excluding amounts reported in Parts II and IV.

Item 29 – The amount given here should approximate the change in the foreign parent’s share of total owner’s equity, after allowance is made to **exclude** changes caused by carrying net income to the equity account, payment of stock or cash dividends (other than liquidating dividends), distribution of earnings, and treasury stock transactions.

PART VI

Items 30–34 – Entries represent the foreign parent’s (home office’s), equity share of the reporting bank’s loan losses or loan loss reserve (LLR), calculated by multiplying the reporting bank’s loan losses or LLR by the foreign parent’s percentage of ownership. Report **all** reserves, including general reserves, reserves specific to individual loans, and reserves allocated based on specific country risk. Bank holding companies, include the LLR’s of all banks included in the consolidated enterprise (see instructions on "Consolidated reporting by U.S. affiliate").

Item 30 – Report the balance of the LLR from item 34 of the previous report. [Amend prior report(s) as necessary.]

Item 31 – Report the **net** effect of **all** LLR transactions on current quarter net income. For example, include general and/or specific allocations to the LLR less funds received against fully reserved loans that are **not** written off. Include the amount of any direct write-offs here and in item 32.

Item 32 – Report both write-offs and sales of loans that are fully reserved. If revenue differs from net book value include the difference in item 12a.

Item 33 – Report amounts reinstated to the LLR resulting from prior write-offs. If the LLR is being reinstated, report amount of the recovery included in income as a gain in item 12a. Report recoveries of funds against loans fully reserved, but **not** written off, in item 31 as a reduction. Report deposits made directly to the LLR by the foreign parent, adjustments due to changes in the foreign parent’s ownership percentage and/or acquisition or disposal of an operating bank(s), and any miscellaneous or other adjustments to the LLR not reported in items 31 or 32.

PART VII

Items 35–43 – Complete once a year, not later than the second filing following the close of the calendar year (or fiscal year if the U.S. affiliate’s books are not kept on a calendar year basis). For example, following a fiscal year ending December 31, this section must be completed on the report due within 30 days after the close of the first quarter, or April 30. **Best estimates are permitted** where necessary in order to file a timely report.

Items 37–39 – Same instructions as for items 11, 12, and 13, **except that** these items refer to the annual figure for the year designated in item 35.

Items 40–43 – Show the proportion of capital owned and equity in surplus accounts by the foreign parent as of the end of the year shown in item 35. The retained earnings account underlying the foreign parent’s share of retained earnings, item 41, must be computed on the equity basis consistent with items 11 and 37.

Reporting by U.S. Affiliates of Interest Rate and Foreign Currency Swap Agreements With the Affiliated Foreign Group

In recent years, U.S. affiliates have increasingly engaged in transactions in derivative financial instruments, particularly those involving interest rate and foreign currency swap agreements, with their foreign parents or with foreign affiliates of their foreign parents. Interest accruals under the terms of these types of swap agreements with each member of the affiliated foreign group are to be reported by nonbank U.S. affiliates on Form BE-605 as "interest" on a net basis. Do **not** report gross receipts and gross payments of interest based upon marking your positions to market daily. Rather, report the net amount of these gross receipts or payments on Form BE-605 either as net interest received or net interest paid, as appropriate (on Part III, line 18, if with the foreign parent, or Part VI, column 4, if with a foreign affiliate of the foreign parent). U. S. affiliates engaged in banking should not report interest resulting from swap agreements on Form BE-605 Bank because it is not considered to be interest on permanent debt investment. Both nonbank and bank U.S. affiliates should report any explicit fees paid to, or received from, a member of the affiliated foreign group for arranging a swap as charge(s) for services rendered (in Part III, line 22, or in Part VI, column 8 of Form BE-605 or in Part III, line 20, of Form BE-605 Bank).

All other intercompany transactions on Forms BE-605 and BE-605 Bank should continue to be reported on a gross basis.